

DEPARTMENT OF STATE A/CDC/MR.

REVIEWED BY JL

DATE 1/26/86

RDS or XDS EXT DATE _____
TS AUTH. _____ REASON(S) _____
ENDORSE EXISTING MARKINGS
DECLASSIFIED RELEASEABLE
RELEASE DENIED
PA or FOI EXEMPTIONS _____

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TO AMEMBASSY OTTAWA IMMEDIATE 5428

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C O N F I D E N T I A L S T A T E 003282

E.O. 12065: RDS-3, 1/6/82 (LLOYD, WINGATE)

TAGS: EAID, CA, MU, US

SUBJECT: US AID TO NICARAGUA

REF: OTTAWA 8000

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1. (C) - ENTIRE TEXT.

2. US ECONOMIC ASSISTANCE TO THE GOVERNMENT OF NICARAGUA WAS FORMALLY SUSPENDED BY A PRESIDENTIAL DETERMINATION OF APRIL 1, 1981. PRESIDENT REAGAN ISSUED THIS DETERMINATION IN ACCORDANCE WITH SECTION 533 (F) OF THE INTERNATIONAL SECURITY AND DEVELOPMENT COOPERATION ACT OF 1980 WHICH STATES IN PART THAT UNLESS THE PRESIDENT SHALL TERMINATE ASSISTANCE TO THE GOVERNMENT OF NICARAGUA...IF HE DETERMINES THAT THE GOVERNMENT OF NICARAGUA CONCEDES FIRE OR HARBOURS ANY INTERNATIONAL TERRORIST ORGANIZATION...END QUOTE. BY APRIL 1981 IRREFUTABLE EVIDENCE HAD BECOME AVAILABLE THAT THE GOVERNMENT OF NICARAGUA ASSISTED IN THE TRANSSHIPMENT OF WEAPONS FROM CUBA TO INSURGENTS IN EL SALVADOR.

3. THE MAJOR PART OF THE FY 81 ECONOMIC ASSISTANCE PROGRAM TO NICARAGUA CONSISTED OF A 40 MILLION DOLLAR

FSF LOAN TO THE GOVERNMENT OF NICARAGUA, SIGNED IN OCTOBER 1980. THE LOAN AGREEMENT STIPULATED THAT AT LEAST 60 PERCENT OF THE FUNDS ARE TO BENEFIT THE PRIVATE SECTOR. EXPENDITURES UNDER THIS LOAN ARE CONTINUING SINCE THE PRESIDENTIAL DETERMINATION WAS INTERPRETED TO MEAN THAT NO NEW REPIAIAT NEW FUNDS TO THE GOVERNMENT WERE TO BE OBLIGATED AFTER APRIL 1, 1981. IN ADDITION, A MODEST ASSISTANCE PROGRAM CHANNELLING FUNDS DIRECTLY TO THE PRIVATE SECTOR AND PRIVATE VOLUNTARY ORGANIZATIONS HAS CONTINUED THROUGHOUT FY 81 AND AT PRESENT IS EXPECTED TO CONTINUE IN FY 82 AS WELL.

3. THE STATEMENT IN PARA 2 OF REFTEL THAT ALL ECONOMIC AID HAS BEEN SUSPENDED IS INCORRECT. ONLY ASSISTANCE TO THE GOVERNMENT HAS BEEN SUSPENDED, AS POINTED OUT IN

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CONTINUE ASSISTANCE TO NICARAGUA'S PRIVATE SECTOR AND
PRIVATE VOLUNTARY ORGANIZATIONS. HAIG

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DRAFTED BY LAC/CEN:PKOLAR/EUR/CAN:GOGG:DB

APPROVED BY EUR/CAN:WILLOYD

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